

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Bagley Twp	County Otsego
Fiscal Year End March 31, 2006	Opinion Date October 19, 2006	Date Audit Report Submitted to State December 31, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES

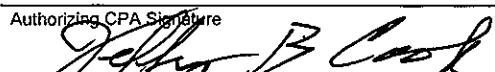
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	none required		
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Keskine, Cook, Miller & Alexander, LLP		Telephone Number 989-732-7515		
Street Address 100 West First St		City Gaylord	State Mi	Zip 49735
Authorizing CPA Signature 		Printed Name Jeffrey B Cook		License Number 11876

**TOWNSHIP OF BAGLEY**  
**OTSEGO COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**MARCH 31, 2006**

**TOWNSHIP OFFICIALS**

SUPERVISOR

BILL GILES

CLERK

JAMES SZYMANSKI

TREASURER

MARY YAGER

ASSESSOR

JASON WOODCOX

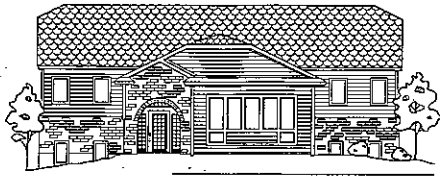
**TRUSTEES**

RICHARD SUMERIX

FRED BURNS

## TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-2
<u>GOVERNMENT WIDE</u>	
STATEMENT OF NET ASSETS	3
STATEMENT OF ACTIVITIES	4
<u>FUND FINANCIAL STATEMENTS</u>	
<u>GOVERNMENTAL FUNDS</u>	
BALANCE SHEET	5
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS	6
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	7
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	8
<u>FIDUCIARY FUND</u>	
STATEMENT OF FIDUCIARY NET ASSETS	9
NOTES TO FINANCIAL STATEMENTS	10-18
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL GENERAL FUND	19-21



Keskine, Cook, Miller & Alexander LLP  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskine, C.P.A.  
Jeffrey B. Cook, C.P.A.  
Richard W. Miller, C.P.A.  
Ronald D. Alexander, C.P.A.  
Curt A. Reppuhn, C.P.A.

## INDEPENDENT AUDITOR'S REPORT

October 19, 2006

To the Township Board  
Bagley Township

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Bagley Township, Otsego County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Bagley Township, Otsego County, Michigan as of March 31, 2006, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Bagley Township has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be a part of, the financial statements.

The budgetary comparison information on pages 21 through 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Keskine, Cook, Miller & Alexander LLP*

Keskine, Cook, Miller & Alexander, LLP  
Certified Public Accountants

**TOWNSHIP OF BAGLEY  
STATEMENT OF NET ASSETS  
MARCH 31, 2006**

	<b>PRIMARY GOVERNMENT</b>	
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>COMPONENT UNIT</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 450,472	\$ 189,977
Investments	766,750	-
Due from Tax Collection Fund	9,167	35,384
Accounts Receivable	6,914	-
Total Current Assets	1,233,303	225,361
<b>Non Current Assets:</b>		
Capital Assets	1,763,703	-
Accumulated Depreciation	(286,339)	-
Total Non Current Assets	1,477,364	-
Total Assets	2,710,667	225,361
<b>LIABILITIES</b>		
Deferred Revenue	215,000	-
<b>NET ASSETS</b>		
Invested in Capital Assets	1,477,364	-
Unrestricted	1,018,303	225,361
Total Net Assets	\$ 2,495,667	\$ 225,361

See accompanying notes to financial statements.

**TOWNSHIP OF BAGLEY  
STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2006**

	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUES &amp; CHANGE IN NET ASSETS</u>	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRI- BUTIONS	CAPITAL GRANTS & CONTRI- BUTIONS	TOTAL	COMPONENT UNIT
<b>GOVERNMENTAL ACTIVITIES</b>						
General Government	\$ (305,952)	\$ 17,942	\$ -	\$ -	\$ (288,010)	\$ (1,200)
Fire Protection	(107,108)	-	-	-	(107,108)	-
Liquor Law Enforcement	(2,693)	-	3,047	-	354	-
Public Works	(91,615)	-	-	-	(91,615)	-
Street Lights	(6,542)	-	-	-	(6,542)	-
Total Governmental Activities	(513,910)	17,942	3,047	-	(492,921)	(1,200)
<b>GENERAL REVENUES</b>						
Property Taxes:						
DDA TIFA						34,415
State Shared (not restricted to specific purpose)					404,779	-
Interest and Other Income					68,722	4,586
Total General Revenues					473,501	39,001
<b>CHANGE IN NET ASSETS</b>					(19,420)	37,801
<b>NET ASSETS - BEGINNING OF YEAR</b>					2,515,087	187,560
<b>NET ASSETS - END OF YEAR</b>					\$ 2,495,667	\$ 225,361

See accompanying notes to financial statements.



**TOWNSHIP OF BAGLEY  
BALANCE SHEET  
AS OF MARCH 31, 2006**

	<b>MAJOR FUND</b>	<b>NON-MAJOR FUND</b>	
	<b>GENERAL</b>	<b>LIQUOR</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash	\$ 414,418	\$ 36,054	\$ 450,472
Certificates of Deposit	766,750	-	766,750
Due From Other Funds	9,167	-	9,167
Due from Other Governments	-	-	-
Accounts Receivable	6,914	-	6,914
	<hr/>	<hr/>	<hr/>
Total Assets	1,197,249	36,054	1,233,303
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES AND FUND EQUITY</b>			
Deferred Revenue	215,000	-	215,000
<b>Fund Equity:</b>			
Fund Balance - Undesignated	982,249	36,054	1,018,303
Fund Balance - Designated	-	-	-
	<hr/>	<hr/>	<hr/>
Total Fund Balance	1,197,249	36,054	1,233,303
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Equity	\$ 1,197,249	\$ 36,054	\$ 1,233,303
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF BAGLEY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2006**

<b>TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 8)</b>	<b>\$ 1,018,303</b>
---	---------------------

Amounts reported for governmental activities in the Statement of Net  
Assets (page 6) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not recorded in the funds	1,477,364
---	-----------

<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET ASSETS - PAGE 6)</b>	<b>\$ 2,495,667</b>
--	---------------------

See accompanying notes to financial statements.

**TOWNSHIP OF BAGLEY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED MARCH 31, 2006**

	<u>MAJOR FUND</u>	<u>NON-MAJOR FUND</u>	
	<u>GENERAL</u>	<u>LIQUOR</u>	<u>TOTAL</u>
<b>REVENUES</b>			
<b>State Sources:</b>			
State Shared Revenue	\$ 404,779	\$ 3,047	\$ 407,826
<b>Local Sources:</b>			
Interest	38,071	-	38,071
Act 425 Income	30,182	-	30,182
Permits and Hall Rent	469	-	469
Miscellaneous	17,942	-	17,942
<b>Total Revenues</b>	<u>491,443</u>	<u>3,047</u>	<u>494,490</u>
<b>EXPENDITURES</b>			
<b>General Government</b>	311,227	-	311,227
<b>Public Safety:</b>			
Liquor Law Enforcement	1,200	1,493	2,693
Fire Safety	107,108	-	107,108
Street Lights	6,542	-	6,542
<b>Public Works</b>	91,615	-	91,615
<b>Total Expenditures</b>	<u>517,692</u>	<u>1,493</u>	<u>519,185</u>
Excess (Deficiency) of Revenues over Expenditures	(26,249)	1,554	(24,695)
Fund Balance - Beginning of Year	1,008,498	34,500	1,042,998
Fund Balance - End of Year	<u>\$ 982,249</u>	<u>\$ 36,054</u>	<u>\$ 1,018,303</u>

See accompanying notes to financial statements.

**TOWNSHIP OF BAGLEY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2006**

<b>NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS (PER STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - PAGE 10)</b>	<b>\$</b>	<b>(24,695)</b>
--	-----------	-----------------

Amounts reported for governmental activities in the statement of activities (page 7) are different because:

Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements.		(16,340)
---	--	----------

Capital outlay purchases are recorded as an expenditure in the fund financial statements but are recorded as capital assets in the government wide statements.		21,615
--	--	--------

<b>CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF ACTIVITIES - PAGE 7)</b>	<b>\$</b>	<b>(19,420)</b>
--	-----------	-----------------

See accompanying notes to financial statements.

**TOWNSHIP OF BAGLEY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
MARCH 31, 2006**

<b>ASSETS</b>	
Cash	\$ 45,597
	<hr/>
<b>LIABILITIES</b>	
Due to Other Funds	10,213
Due to Component Unit	35,384
	<hr/>
Total Liabilities	45,597
	<hr/>
<b>NET ASSETS</b>	
Fiduciary Net Assets	\$ -
	<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF BAGLEY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2006**

**NOTE A: ENTITY**

The Township of Bagley is a general law township of the State of Michigan located in Otsego County, Michigan. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment, and human services. The criteria established for determining various governmental functions to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of Bagley Township.

The Otsego County Fire Board provides fire protection services to the Township. The Board is comprised of several governmental units in Otsego County including Bagley Township. The Township's respective share of the Fire Board's assets have been included in these financial statements. The Township does not have oversight responsibility for the Otsego County Fire Board. The Fire Board is audited under separate cover and may be obtained at The City of Gaylord, 225 West Main, Gaylord, Michigan, 49735.

**COMPONENT UNIT**

On October 11, 1999, the Township created the Township of Bagley Downtown Development Authority under Public Act 197 of the State of Michigan of 1975 as amended. The Authority will use tax increment financing to fund its operations. The activity of the Authority is recorded as a discretely presented component unit of Bagley Township. Audited financial statements for the component unit are located at: 2946 S. Otsego Ave., Gaylord, MI 49735.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices of the Bagley Township are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Bagley Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**TOWNSHIP OF BAGLEY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2006**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

On April 1, 2002, Bagley Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis -- for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION**

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The Township has no business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not classified as program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

TOWNSHIP OF BAGLEY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2006

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION  
(CONTINUED)**

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

***Governmental Funds***

The Township reports the following major governmental fund:

*General Fund* - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from state distributions and interest earnings.

The Township has one non-major fund – Liquor Law Enforcement Fund.

***Other Funds***

*Fiduciary Fund* - This is used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.



**TOWNSHIP OF BAGLEY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2006**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

**Government-Wide Financial Statements**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized when grantor eligibility requirements are met.

**Governmental Fund Financial Statements**

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

The Township levies no property tax.

Taxes for the Bagley Township Downtown Development Authority, a component unit of the Township, represent a tax-increment financed capture and are recognized as revenue in that fiscal year. Taxes are assessed on a lien date of December 1<sup>st</sup> and are recorded as revenue at that time.

**BUDGET**

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on a fund basis.

**TOWNSHIP OF BAGLEY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2006**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BUDGET (CONTINUED)**

During the year ended March 31, 2006, no fund overspent its budget. Budgets as adopted end on March 31, of each year. There are no carryover budget items. Budgets are adopted on the modified accrual basis of accounting. Amendments are made to the budgets when determined to be necessary throughout the year. The budgets presented are both the original and final amended amounts.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates

**CAPITAL ASSETS AND DEPRECIATION**

The Townships property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Township owns no infrastructure assets. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$3,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5 – 50
Improvements, other than buildings	2 – 50
Mobile equipment	3 – 30
Furniture, machinery, and equipment	3 – 30

For information describing capital assets, see Note F.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND  
DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

**TOWNSHIP OF BAGLEY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2006**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND  
DISCOUNTS/PREMIUMS (CONTINUED)**

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

As of March 31, 2006, the Township has no outstanding long-term debt.

**NOTE C: COMMON BANK ACCOUNTS**

The Township combines all funds except Trust and Agency (tax collection), petty cash, and Michigan Strategic Funds, into a common checking account. Balance at March 31, 2006, is as follows:

	<b>COMMON CHECKING</b>
General	\$197,363
Liquor	<u>36,054</u>
Total	<u>\$233,417</u>

**NOTE D: CASH AND CERTIFICATES OF DEPOSIT**

Investments can be made in certificates of deposit, bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority.

Cash is classified into three categories of risk as follows:

Category 1: Insured or collateralized with securities held by the  
Local Unit or its agent in the Local Unit's name.

Category 2: Collateralized with securities held by the pledging  
financial institution's trust department or agent in the  
Local Unit's name.

**TOWNSHIP OF BAGLEY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED MARCH 31, 2006**

**NOTE D: CASH AND CERTIFICATES OF DEPOSIT (CONTINUED)**

Category 3: Uncollateralized (includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Local Unit's name).

	BANK BALANCE	RISK CATEGORIES			CARRYING AMOUNT
		1	2	3	
Common Checking	\$ 138,929	\$ 100,000	\$ -	\$ 38,929	\$ 233,417
Mt. Strategic Fund	215,100	-	-	215,100	215,100
Certificates of Deposit	766,750	200,000	-	566,750	766,750
Petty Cash	500	-	-	-	500
<b>TOTAL</b>	<u>\$ 1,121,279</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 821,279</u>	<u>\$ 1,215,767</u>
Trust & Agency Checking	<u>\$ 45,597</u>	<u>\$ 45,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,597</u>

At the year end, the balance sheet carrying amount of deposits was equal to amounts above.

**NOTE E: INTERFUND RECEIVABLES AND PAYABLES**

The tax fund (an agency fund type) owes \$10,213 to the general fund and \$35,384 to the DDA as of March 31, 2006.

**NOTE F: CAPITAL ASSETS**

	<u>CAPITAL ASSETS NOT DEPRECIATED</u>		<u>CAPITAL ASSETS DEPRECIATED</u>			
	Land & Improv.	Construction In Progress	Buildings	Furniture & Fixtures	Equipment	Totals
<b>Governmental Activities</b>						
Capital Assets						
Balance, April 1, 2005	\$712,706	\$515,258	\$125,262	\$ 4,435	\$384,427	\$1,742,088
Increases	-	21,615	-	-	-	21,615
Decreases	-	-	-	-	-	-
Balance, March 31, 2006	<u>\$712,706</u>	<u>\$536,873</u>	<u>\$125,262</u>	<u>\$ 4,435</u>	<u>\$384,427</u>	<u>\$1,763,703</u>
<b>Governmental Activities</b>						
Accumulated Depreciation						
Balance, April 1, 2005	\$ -	\$ -	\$ 60,747	\$ 2,662	\$206,590	\$ 269,999
Increases	-	-	3,145	444	12,751	16,340
Decreases	-	-	-	-	-	-
Balance, March 31, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,892</u>	<u>\$ 3,106</u>	<u>\$219,341</u>	<u>\$ 286,339</u>
Total Primary Government	<u>\$712,706</u>	<u>\$536,873</u>	<u>\$ 61,370</u>	<u>\$ 1,329</u>	<u>\$165,086</u>	<u>\$1,477,364</u>

**TOWNSHIP OF BAGLEY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2006**

**NOTE F: CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the Township's functions as follows:

Administration	\$ 3,986
Township Hall	3,145
Elections	1,000
Fire Protection	<u>8,209</u>
	<u>\$16,340</u>

**NOTE G: 425 AGREEMENT**

Bagley Township has several contracts for transfer of property with the City of Gaylord which is governed pursuant to P.A. 1984 NO. 425. The contract shall be in effect for 16 years from date of contracts. Bagley Township allows the City of Gaylord to extend water and sewer service to the property. During the contract the property shall be part of the jurisdiction of the City of Gaylord for all purposes and any revenues generated by the property belongs to the City. Upon expiration, the contract shall be renewable in whole or in part for an additional 10 years upon mutual agreement. The Township recognized \$30,182 in Act 425 income in the current year.

**NOTE H: INSURANCE**

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Township participates in the Michigan Municipal Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Township carries commercial insurance for other types of losses, including accident insurance.

**NOTE I: PENSION PLAN**

The Township of Bagley has a defined contribution pension plan covering substantially all of its elected officials.

TOWNSHIP OF BAGLEY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2006

NOTE I: PENSION PLAN

Pursuant to Act 27 of P.A. 1960, as amended Bagley Township adopted a pension plan effective December 1, 1968 and was amended in 1989. The name of the plan is *Manulife Financial Defined Contribution Pension Plan For Governmental Employees*. The Township contributes annually based on compensation paid over a fiscal year ending November 30th. Contributions range from a minimum of \$100 to a maximum of \$500. The Township contributes 75% and the employee contributes 25%. Employees may also make voluntary contributions up to IRS Code Section 415 limits.

Township Contributions	\$4,407
Employee Contributions	<u>2,795</u>
Total Contributions	<u>\$7,202</u>

Employees' eligibility begins on the date of employment. All participants are vested 100%. Employees may participate until age 80. Normal retirement is age 65 or upon completion of 10 years of service whichever is later. Early retirement is permitted at age 55.

The plan is maintained with the Manufacturers Life Insurance Company. The total pension expense for the year was \$4,407 which meets the contribution requirements of the Township. There were no substantial changes in the plan for the year.

NOTE J: COMPARATIVE DATA

Comparative total data for the prior year have been presented in the supplemental financial data in order to provide an understanding of the changes in the Township's financial operations. However, comparative data has not been presented in every statement.

**TOWNSHIP OF BAGLEY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - WITH COMPARATIVE ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED MARCH 31, 2005**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2006**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM AMENDED BUDGET</u>	<u>PRIOR YEAR ACTUAL</u>
<b>REVENUES</b>					
<b>State Sources:</b>					
State Shared Revenue	\$ 252,000	\$ 252,000	\$ 404,779	\$ 152,779	\$ 409,631
<b>Local Sources:</b>					
Interest	3,000	3,000	38,071	35,071	19,199
Act 425 Income	14,000	14,000	30,182	16,182	-
Licenses and Permits	500	500	469	(31)	478
Other Income	-	-	17,942	17,942	16,172
<b>Total Revenues</b>	<u>269,500</u>	<u>269,500</u>	<u>491,443</u>	<u>221,943</u>	<u>445,480</u>
<b>EXPENDITURES</b>					
<b>GENERAL GOVERNMENT</b>					
<b>Township Board:</b>					
Salaries	12,000	12,000	9,000	3,000	9,000
Payroll Taxes	4,500	7,000	5,775	1,225	4,394
Medical Reimbursement	12,000	12,000	8,000	4,000	9,278
Pension Plan	10,000	10,000	4,407	5,593	4,334
Office Supplies	9,000	9,000	2,746	6,254	6,576
Professional Services	80,000	110,000	89,559	20,441	46,147
Contract Services	40,000	40,000	22,284	17,716	33,987
Communications	2,500	2,500	1,624	876	1,510
Transportation	100	100	-	100	-
Printing and Publishing	2,500	2,500	868	1,632	2,230
Insurance and Bonds	10,000	10,000	8,727	1,273	9,111
Membership and Dues	4,800	4,900	4,867	33	4,230
Equipment	4,500	4,500	-	4,500	4,122
Local Match - Beaver Creek Construction Project	-	-	-	-	63,000
<b>Total Township Board</b>	<u>191,900</u>	<u>224,500</u>	<u>157,857</u>	<u>66,643</u>	<u>197,919</u>
<b>Township Supervisor:</b>					
Salary	22,300	22,300	20,152	2,148	19,902
Supplies	300	300	66	234	285
<b>Total Township Supervisor</b>	<u>22,600</u>	<u>22,600</u>	<u>20,218</u>	<u>2,382</u>	<u>20,187</u>
<b>Election Board:</b>					
Salaries	6,000	6,000	2,350	3,650	3,994
Supplies	4,000	4,000	2,293	1,707	3,785
Contract Services	-	240	240	-	-
Equipment	6,000	6,000	-	6,000	5,925
<b>Total Election Board</b>	<u>16,000</u>	<u>16,240</u>	<u>4,883</u>	<u>11,357</u>	<u>13,704</u>
<b>Township Assessor:</b>					
Salaries	50,000	50,000	48,596	1,404	48,501
Supplies	6,000	7,000	5,467	1,533	2,380
Contract Service	2,500	2,500	1,480	1,020	1,480

**TOWNSHIP OF BAGLEY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - WITH COMPARATIVE ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED MARCH 31, 2005**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2006**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FROM AMENDED BUDGET	PRIOR YEAR ACTUAL
Mileage	1,000	1,000	767	233	-
Equipment	8,000	8,000	3,037	4,963	6,688
Total Township Assessor	67,500	68,500	59,347	9,153	59,049
<b>Township Clerk:</b>					
Salary	26,300	26,300	25,196	1,104	24,779
Supplies	3,000	3,000	2,975	25	3,018
Equipment	1,000	1,000	-	1,000	179
Total Township Clerk	30,300	30,300	28,171	2,129	27,976
<b>Board of Review:</b>					
Salaries	2,000	2,000	2,400	(400)	150
Mileage	300	300	-	300	-
Total Board of Review	2,300	2,300	2,400	(100)	150
<b>Township Treasurer:</b>					
Salaries	26,300	26,300	25,196	1,104	24,779
Supplies	5,500	5,500	3,092	2,408	4,106
Contract Services	2,500	2,500	1,060	1,440	1,081
Equipment	2,000	2,000	-	2,000	-
Total Township Treasurer	36,300	36,300	29,348	6,952	29,966
<b>Township Hall:</b>					
Supplies	300	300	-	300	91
Contract Services	3,000	3,000	3,066	(66)	2,550
Utilities	3,500	4,500	3,589	911	3,303
Repair and Maintenance	2,000	2,000	198	1,802	1,498
Improvements	1,000	1,000	-	1,000	-
Total Township Hall	9,800	10,800	6,853	3,947	7,442
<b>Planning and Zoning</b>	1,600	3,100	2,150	950	1,100
<b>Total General Government</b>	378,300	414,640	311,227	103,413	357,493
<b>PUBLIC SAFETY</b>					
Liquor Law Enforcement	1,650	1,650	1,200	450	1,200
Fire Protection	105,000	108,000	107,108	892	94,870
Street Lights	8,000	8,000	6,542	1,458	6,448
<b>Total Public Safety</b>	114,650	117,650	114,850	2,800	102,518
<b>PUBLIC WORKS</b>					
Roads	200,000	200,000	70,000	130,000	80,555
Waste Water Project	200,000	160,660	21,615	139,045	449,169
<b>Total Public Works</b>	400,000	360,660	91,615	269,045	529,724



**TOWNSHIP OF BAGLEY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - WITH COMPARATIVE ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED MARCH 31, 2005**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2006**

	<b>ORIGINAL BUDGET</b>	<b>AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM AMENDED BUDGET</b>	<b>PRIOR YEAR ACTUAL</b>
<b>Total Expenditures</b>	892,950	892,950	517,692	375,258	989,735
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(623,450)	(623,450)	(26,249)	597,201	(544,255)
<b>Fund Balance - Beginning of Year</b>	1,008,498	1,008,498	1,008,498	-	1,552,752
<b>Fund Balance - End of Year</b>	<u>\$ 385,048</u>	<u>\$ 385,048</u>	<u>\$ 982,249</u>	<u>\$ 597,201</u>	<u>\$ 1,008,497</u>